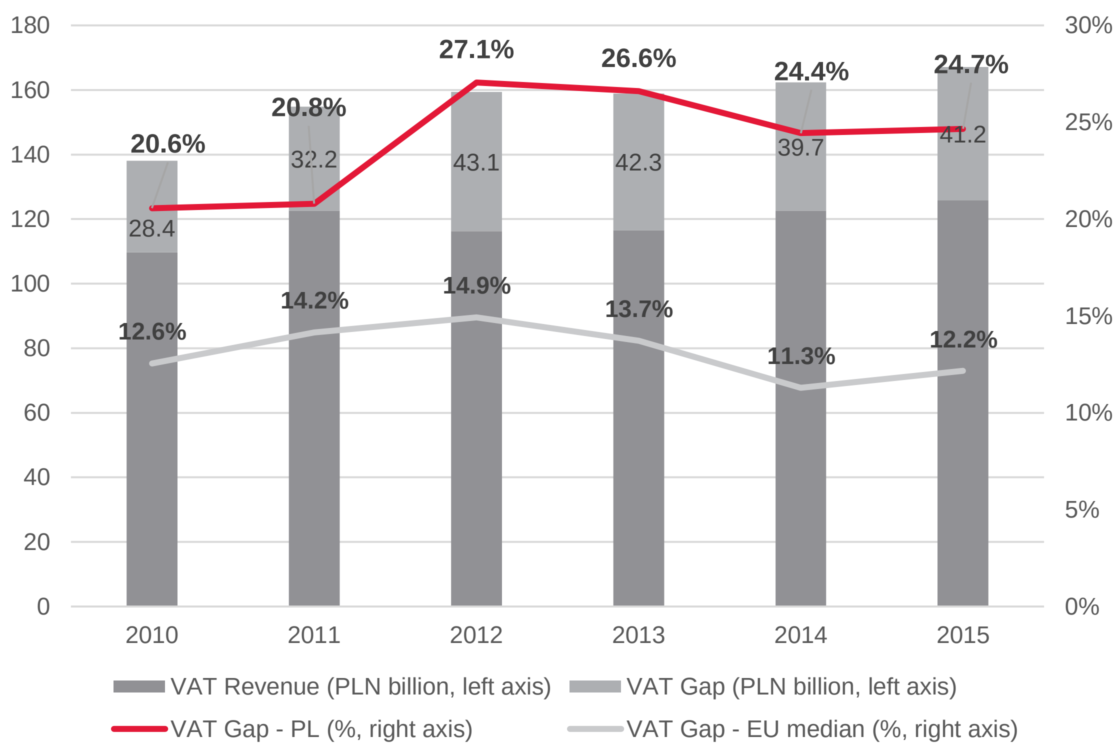
Poland: Sealing Tax Gaps

Presented by
Artur Gostomski, Director of Department for Large Business, Ministry of Finance
Dr. Grzegorz Poniatowski, Vice-President, CASE – Center for Social and Economic Research

THE STORY

VAT Gap in Poland (2010-2015)



Source: EC, CASE (2020).

- Approximately **EUR 10 billion** of foregone VAT revenue per year on average,
- VAT Gap in Poland as one of the **largest in the EU** (expressed as %),
- **growing divergence** from the EU median.

THE STORY

The VAT Gap is the difference between the VAT liability under full compliance and actual receipts.

Between 2010 and 2015 the revenue was lost primarily due to:

- large scale **fraud,** more specifically **MTIC and carousel fraud,**
- **tax evasion** (e.g. underreporting, non filers), **tax avoidance** (e.g. misalignment of rates),
- but also errors, omissions and bankruptcies.

Interim solutions, like reverse charge mechanism, proved to have limited effectiveness.

National Fiscal Administration

Republic of Poland

30 YEARS CASE

IMPLEMENTED ACTIONS

- Changes in the legislation
  - New measures for counteracting tax fraud and tax evasion
- Changes in the organization
  - Consolidation tax administration, customs services and fiscal audit services in the single National Revenue Administration with new, wider powers and improved tools
- Dialogue with partners
  - New procedures for implementing changes in the tax law based on dialogue and common understanding

National Fiscal Administration
Republic of Poland

IMPLEMENTED ACTIONS

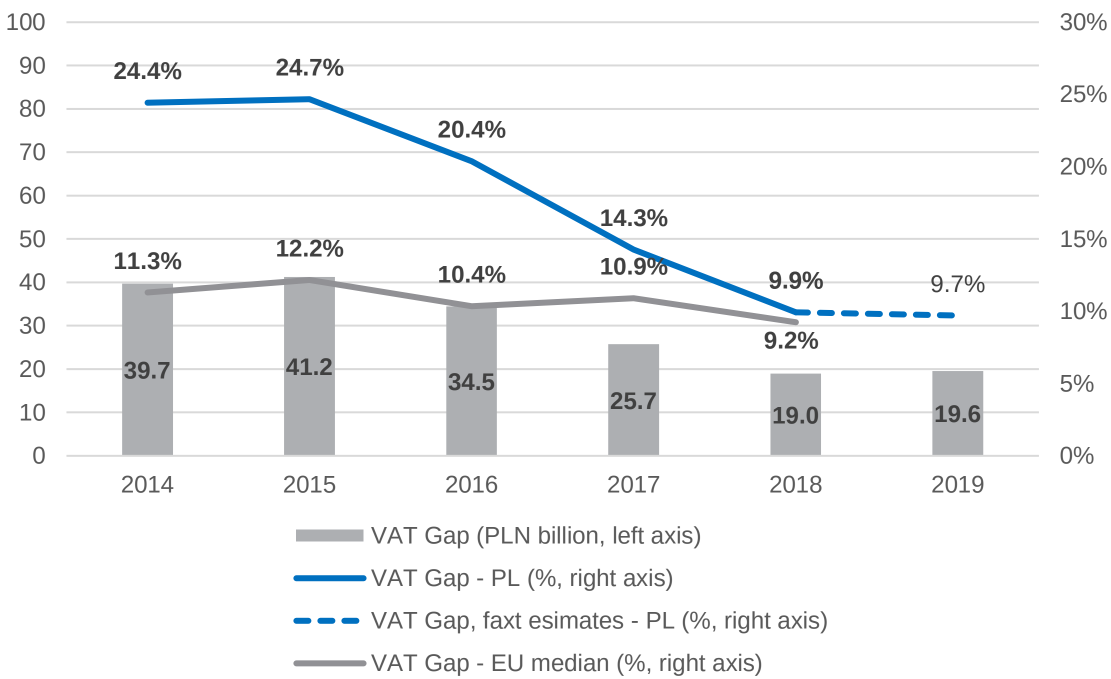
- Increased reporting obligations: SAF obligatory for all VAT registered entities from 1.1.2018;
- Access to information about cash-flow reported daily by banks (STIR);
- Effective application of General Anti Avoidance Rule (GAAR);
- Monitoring in real time movement of sensitive goods (e.g. petrol and tobacco) (SENT);
- Split Payment;
- Pilot implementation of Cooperative Compliance Programme (2020);
- Created office for large taxpayers (2021);

National Fiscal Administration
Republic of Poland

CASE 30 YEARS

RESULTS

VAT Gap in Poland (2014-2019)



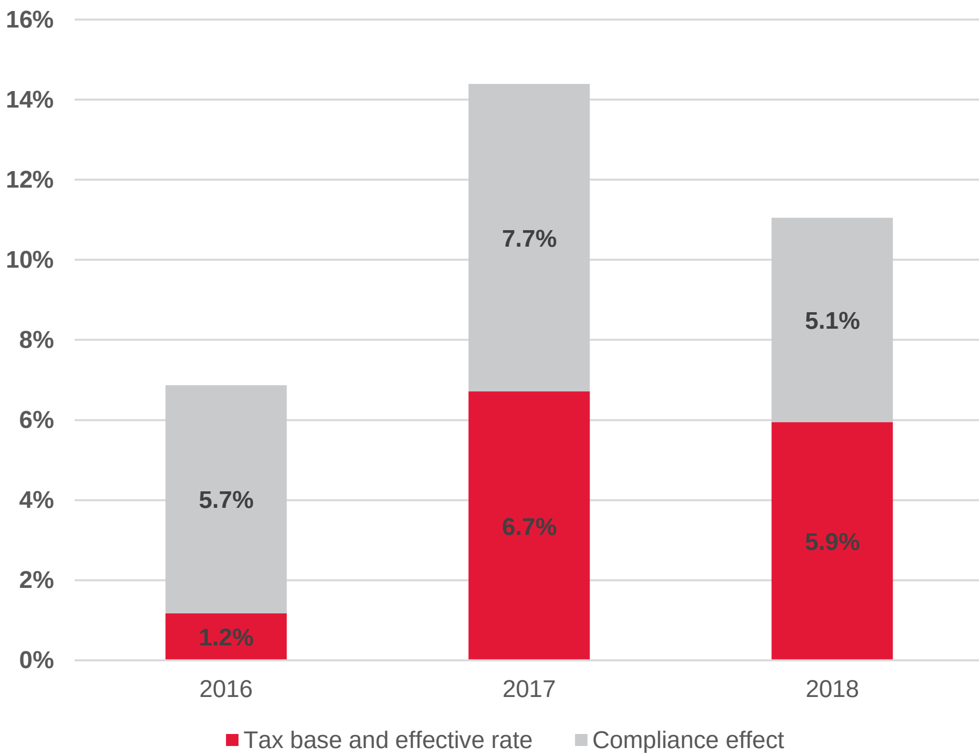
Source: EC, CASE (2018).

- Despite the recession, VAT Gap in Poland in has likely fell in 2020,
- in nominal terms **the VAT Gap fell by ca. 50%** since 2015.

National Fiscal Administration
Republic of Poland

RESULTS

Decomposition of VAT revenue growth (%, 2016-2018)



Source: EC, CASE (2018).

- Between 2015 and 2018 compliance effect contributed to over 50% of VAT revenue growth (of PLN 46.4 billion)

National Fiscal Administration

Republic of Poland

RESULTS

- Increase in **VAT collections** of ca. 49% over four years (2015-2020),
- Increase in **CIT collections of** ca. 31% over two years (2016-2018)
- Decrease in the **number of audits** by two thirds, for the benefit of check-up activities
- Increased **effectiveness of audits** (85% in 2017),
- Some of the introduced measures have also decreased **compliance costs** (e.g. less stringent audits, faster VAT refunds) and limited **administrative costs** (e.g. STIR – third-party information).

LESSONS LEARNED

- Think ahead – implementation process takes time, but substantial changes can bring desired effect in short period of time.
- Communicate changes inside and outside organization.
- Invest in people.
- Make sure you have political support for legislative changes.